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NEW JERSEY CASINO CONTROL COMMISSION

ANNUAL REPORT

DECEMBER 31, 1987

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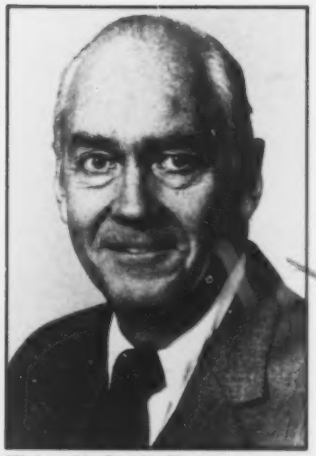
CASINO CONTROL COMMISSION 1987



Walter N. Read, Chairman

Carl Zeitz, Vice Chairman

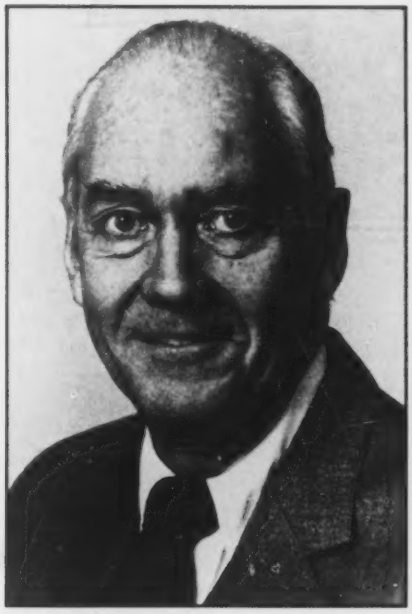
Valerie H. Armstrong

E. Kenneth Burdge

W. David Waters

The Annual Report of the New Jersey Casino Control Commission is submitted to the Governor and to the members of the New Jersey Legislature.

GOVERNOR THOMAS H. KEAN



CHAIRMAN'S REPORT

The role of the regulator in the New Jersey casino industry became increasingly associated with multimillion dollar enterprises during the past year but it continued to be deeply involved in the personal lives of many people at different levels of our society.

The sale of two casinos, the recapitalization attempts of two others, the Trump/Resorts management contract hearings, the struggle to keep the bankrupt Atlantis in operation and the opening of the Showboat as Atlantic City's 12th casino occupied a major portion of the Commission's time and involved it with some of Wall Street's biggest investment companies.

While these "big ticket" items were attracting most of the headlines and the attention of the financial and investment communities, the Commission was also involved in working to get better jobs for people, to help them overcome ill-advised gambling habits and in trying to find a way for them to work in the casino industry without surrendering their personal and political rights unnecessarily.

The sale of the Golden Nugget to Bally's and the sale of Resorts International to Donald Trump were well chronicled in the media and were accomplished with relative ease thanks to the outstanding work of the Commission's legal staff headed by General Counsel Robert Genatt. The Resorts sale was significant because it determined that the ownership of three licenses with its resultant holding of 30 percent of the casino floor space in Atlantic City did not constitute undue economic concentration in the hands of a single licensee.

The Commission set additional guidelines for the industry later in the year when it ruled that the closing of Resorts' casino, the first to open after gaming was legalized in this state, when the developing Taj Mahal opens still will not violate the economic concentration rule although one owner will have more than 33 percent of the floor space and over 52 percent of the casino convention facilities in the city.

The recapitalization of Holiday Inns and the aborted attempt by Caesars World to refinance its operation were more difficult for the state but out of those hearings came a signficant ruling that the state's interests in casino gambling outweigh the rights of the individual stockholders of a company.

The decision in Caesars World was not entirely without precedent but the Commission's refusal to approve the $1.1 billion recapitalization plan which had already been approved by the company shareholders clearly put Wall Street on notice that financial viability of the company and its impact on the economy in this state and in Atlantic City received the highest priority in the Commission's considerations.

The opening of the new Showboat was welcome news because it brought approximately 3,500 more jobs to the city and additional millions to the Casino Revenue Fund for senior citizens and the disabled of this state.

Less joyful news was the continued financial difficulties of the Atlantis which went through a second relicensing hearing while involved with the bankruptcy court attempting to work out a solution to its money problems.

Despite the prophecies of some of the critics, the industry continued to grow through 1987 and by year's end the gross revenues had reached an all-time high of $2.5 billion on a handle of more than $16 billion. It meant that more than $200 million was paid to the state this year for senior citizen programs.

The programs to assist the seniors and disabled persons in the state were only one aspect of the Commission's continuing efforts to make more of the benefits of casino gaming available to more and more people in New Jersey.

The Commission continues to be concerned that an industry which contracts for more than $1 billion in goods and services in a year does not, by its own admission, contract with more female and minority owned businesses. New legislation now on the books should help to rectify that situation but the certification process needs to be implemented as quickly as possible to allow a broader participation in this business by all segments of our society.

The employment picture for females and minority members continues to be good in terms of sheer numbers although not as strong as hoped in the top management areas of the business.

The Commission itself has been fortunate in being able to obtain the services of Luis Fuentes as director of the Division of Affirmative Action and Planning to replace Jack E. Wood who resigned at the end of 1986. Prior to joining the Commission staff, Mr. Fuentes had been active in affirmative action work with International Paper Company, the Great Atlantic and Pacific Tea Company and with the city of New York Housing Development Administration.

The Commission continued a drive to improve its record in hiring minorities and females. Of the 96 persons hired by the Commission as new hires or as replacements for persons who retired or resigned 33 were minorities and 36 were female.

The Commission's promotion review system under the direction of Commissioner E. Kenneth Burdge was instrumental in selecting Claire C. Frank to serve as deputy director of the Division of Affirmative Action and Planning. Three other women with experience and proven leadership abilities—Rochelle Jefferson, Deborah Algor and Catherine Walker—were promoted to fill vacancies at the managerial level.

But the Commission's concern for people doesn't end with employment in the casinos or our own staff nor with contracts for goods and services. There is a continuing concern about compulsive

gamblers and more recently a heightened awareness of problems with teenage gambling.

Commission records show that hundreds of thousands of underage gamblers have been denied admission to the casinos over the past few years but many had been able to infiltrate the gaming floor. The casinos deserve credit for ejecting many who gain access to the floor and for their efforts to cope with this problem but there is a growing public awareness that many teenagers manage to elude the security systems.

The Commission, along with other state agencies, the schools, the families and the industry, must find a way to cope with this increasing phenomenon.

The Commission also struggled during the past year to find an answer to a question posed by a casino executive who desired to participate in partisan politics despite limitations imposed by the statute. Not satisfied with the Commission ruling which would have allowed her to participate on a limited basis, she challenged the ruling in the state court system and was still waiting for an answer at the end of the year.

That question poses an even larger dilemma for the state. New Jersey must recognize that as casino gambling becomes a bigger and more positive economic force it brings with it an expanded political base which will raise questions about financial contributions by professional firms affiliated with the casino industry.

It also raises questions about the potential political impact that 40,000-plus employees can have in the election process in light of the present restrictions on political participation by casino employees in certain state and local elective offices.

It is unrealistic to believe that the system can continue on its present path without producing some unhealthy fallout along the way and it would be in the best interests of all parties for the Legislature to clarify the situation before it becomes a problem. This is an issue which the Governor's Advisory Commission on Gambling also should address before it concludes its business.

While that Commission has been grappling with many important issues on the broader question of legalized gambling, the Legislature has been most helpful on the narrower issues which deal only with casino gambling.

Several bills, part of a package suggested by the Commission, will have a profound impact on issues which are clearly people-oriented. One bill will make it easier, quicker and cheaper for applicants to obtain certain jobs in the casino industry while other bills are designed to toughen credit and junket practices by the casino, thus protecting players who might have a pathological bent from falling into a deeper abyss.

Some significant administrative changes have been put into practice within the Commission which will benefit both the public and the industry. Thanks to the efforts of Commissioners Valerie H. Armstrong and Carl Zeitz a new scheduling procedure has been implemented which cuts down sharply on the amount of time it takes for petitions and applications to be reviewed and decided.

Finally, under the direction of Commissioners W. David Waters and Zeitz and Fiscal Officer Joseph Papp the Commission was able to bring its budget in well under the guidelines set by the governor's office and earned a public accolade from the Office of Budget and Management.

During 1988 the casino industry will celebrate its tenth anniversary in New Jersey. It should be a time to reflect on how well we have carried out the twin responsibilities of rebuilding Atlantic City and maintaining the integrity of the industry.

It should also be a time to look ahead; to consider the future role of legalized gaming in this state; to consider its impact on the state budget; to consider the future use of tax revenues; to consider, above all, the benefits or the damage to the lives of the citizens of this state. As we start this second decade of casino gambling we must work together to shape a role for this industry which will carry us well into the next century.

LEGAL DIVISION

The Legal Division, under Director Robert Genatt and Deputy Director John Zimmerman, was confronted in 1987 with legal issues involving corporate recapitalizations and economic concentration, with court challenges to a variety of Commission actions and with numerous statutory and regulatory changes.

Holiday Corporation and Caesars World, Inc., both of which are parent companies of casino licensees, sought Commission approval of complex recapitalization plans. Extensive hearings were held on each plan, with the Commission ultimately approving the Holiday plan and rejecting the Caesars World plan. In connection with the proposed Caesars World recapitalization, the Commission also faced difficult regulatory issues arising from the unsuccessful attempt of investor Martin Sosnoff to take over the company.

The Commission and its legal staff were also called upon to deal with the purchase of the Golden Nugget Casino Hotel by Bally Manufacturing Corporation and the purchase of a controlling interest in Resorts International, Inc. by Donald J. Trump.

The Trump purchase required the Commission to hold three separate hearings during 1987. These hearings centered on Resorts International's plan to complete construction of its Taj Mahal Casino Hotel and the issue of whether Mr. Trump's interest in Resorts International, together with his ownership of the Trump's Castle and Trump Plaza Casino Hotels, would result in undue economic concentration within the Atlantic City market.

Ultimately, the Commission approved a plan to close the casino in Resorts International's existing facility and operate the remainder of that facility in connection with the Taj Mahal, ruled that this arrangement would not result in undue economic concentration and approved a management agreement between Resorts International and Mr. Trump.

In another extensive hearing held during 1987, Atlantic City Showboat, Inc. was able to overcome objections to the qualifications of certain of its officials and thereby obtain a casino license and was able to obtain a certificate of operation and open Atlantic City's 12th casino hotel. Of course, relicensure hearings were also held with respect to the other casino licensees.

In the courts, the Commission was able to obtain a ruling from the United States Court of Appeals from the Third Circuit upholding its action in disqualifying and requiring the removal from office of three officials of Hotel and Restaurant Employees and Bartenders International Union Local 54. This was another in a series of court actions involving Local 54 in which the Commission has been upheld.

Senior Assistant Counsel Dennis Daly of the Legal Division successfully defended in the Appellate Division of Superior Court the Commission's decision to exclude Lawrence Merlino, Phillip Leonetti and Saul Kane from licensed casino facilities. This was the first instance in which the New Jersey courts examined the exclusion list provisions of the Casino Control Act. Also during 1987, Mr. Daly urged the New Jersey Supreme Court to affirm the ruling of the Appellate Division upholding the Commission's determination. A decision is expected in early 1988.

In litigation in which the Commission was represented by Senior Assistant Counsel David Missimer, the Chancery Division of Superior Court upheld provisions of the Casino Control Act prohibiting political contributions by certain persons employed in the casino industry and also upheld a Commission ruling interpreting those provisions. These matters are currently before the Appellate Division and should be argued and decided in 1988.

Also in 1987, the Legal Division was successful in obtaining a reconsideration from the Appellate Division of a ruling concerning provisions of the Casino Control Act allowing for rehabilitation by disqualified individuals. On reconsideration, the Appellate Division concurred with the Commission's understanding of the rehabilitation provisions.

Among the other significant decisions reached by the Commission during 1987 were those imposing strict liability on casino licensee for the presence of juveniles within casinos and imposing strict liability on casino licensees for violations of Commission regulations by their agents and employees. Both of these rulings are on appeal to the Appellate Division and the legal staff will file briefs and present oral argument during 1988.

During 1987, the Commission's legal staff also took an active role in drafting extensive amendments to the Casino Control Act. None of the amendments had become law by the end of 1987 but enactment was expected in early 1988. One of the proposed amendments would create a system of interim casino authorizations, which should fill a gap in the present casino regulatory framework by providing an orderly system for the transfer of interests in casino enterprises.

The Legal Division was also kept busy during 1987 in drafting new regulations for consideration by the Commission and is presently at work on regulations to implement amendments to the Casino Control Act providing for casino industry set-asides for minority business enterprises.

ADMINISTRATIVE DIVISION

The Administrative Division under Director Theron (Terry) Schmidt is responsible for handling all personnel, budget, data processing and managerial functions for the Commission.

During the past year, for example, the personnel office, under David Hopkins, working in conjunction with the data processing office, developed a more comprehensive program for tracking personnel activity. The new program, when fully implemented will place all employee personnel data in a single database.

This new program will allow records to be updated immediately after a personnel move and will be the basis for more accurate and complete management reports.

When fully implemented the new system also will allow for a quicker review of time and expense sheets by the accounting unit. The ability to track attendance patterns will also provide for better internal controls and should result in greater productivity on the part of the staff.

Fiscal Officer Joseph Papp was responsible for drafting a budget with no growth in non-salary items for the fourth consecutive year. Unlike other state agencies, which receive salary adjustments through the General State Fund, the Commission must budget in advance for proposed cost of living and fringe benefit increases.

Despite having to include the cost of living increase, the Commission budget for FY 89 was $24.5 million, almost $1.2 million below the projections of the Office of Management and Budget. Approximately 83 percent of the budget will go for salaries and wages during the coming year.

The fiscal office was able to exceed its goals in issuing contracts to Small Business Enterprises (SBE) and to Women's Business Enterprises (WBE). Efforts to reach the goals involving Minority Business Enterprises (MBE) will be intensified during 1988 to correct a shortcoming in that area this year.

During FY 1987, the Budget and Fiscal Office processed 8,933 financial documents totaling $2,796,630.52 which represents an increase of 17 percent over FY 1986.

The data processing unit under Julian Grauer has continued its policy of using microcomputers as opposed to the large main frame systems in an effort to allow the maximum number of professionals to access state-of-the-art software at a minimum cost. The use of microcomputers, in addition to being cost effective increases the flow of information and provides a greater degree of flexibility.

Significant savings in data processing costs have been realized through the successful implementation of the in-house minicomputer system. Two important applications—a cost system and a petition system—are now running on the minicomputer and has resulted in a 30 percent saving as compared with using outside vendors.

The computerized petition tracking system was implemented in 1987 for the purpose of generating more timely responses to the annual average of 1,100 petitions received from the public and the casino industry. This innovative system has reduced the backlog of pending petitions by 40 percent compared with previous years and holds promise for even greater efficiencies.

An administrative services office, supervised by Donald McKeon, provided the primary administrative support for the Commission's 48 open meetings in addition to the 12 license hearings and seven special hearings which took place over a period of 52 days.

As custodian of the official records of the Commission, the office manages a modern reference library of microfilmed and hard copy Commission documents. Over 1,800 documents were copied and released this year to the public under the Freedom of Information Act by this unit.

Even though the Commission is audited annually by the Office of Legislative Services and its budget is approved by the governor and the Legislature, the Commission has decided to have an outside audit/management firm conduct an organizational operations audit of the Commission. Bids were received prior to the close of the business year and the audit is expected to be completed before the end of 1988.

Casino Control Commission

Volume of Contracts Issued, Fy 1987

	Contracts Issued	Percent of Total Contracts	Dollar Volume of Contracts	Percent of Total Dollars
Total Contracts Issued By The CCC—FY 1987	1,503	100%	$921,115.53	100%
Contracts Issued To Non-SBE, WBE & MBE	729	48.5%	$474,316.96	51.5%
Contracts Issued To Small Business Enterprises	422	28.1%	$249,327.10	27.1%
Contracts Issued To* SBE's Pending Application Approval	206	13.7%	$148,319.24	16.0%
Contracts Issued To Female Business Enterprises	80	5.3%	$38,624.91	4.2%
Contracts Issued To Minority Business Enterprises	66	4.4%	$10,527.32	1.2%

*Application for SBE, MBE or WBE status pending approval by the Department of Commerce and Economic Development.

"Bet with your HEAD, not over it."

LICENSE DIVISION

The License Division carried out its obligations involving the opening of a new casino and the responsibility of licensing a growing number of employees and casino industries under the direction of Director Christopher D. Storcella and Deputy Director Richard P. Franz.

The opening of Showboat Hotel, Casino and Bowling Center, the expansion of Tropicana, completion of the Trump Plaza Transportation Center plus work on Taj Mahal and the expansion of Bally's were a major portion of the division's work.

In the Brighton Park area, commission personnel were involved as the Sands and Claridge began work on a people mover system designed to link these two casinos to the Boardwalk. As part of this project a historical museum will be constructed and a major renovation of Brighton Park will be undertaken.

A major expansion at Trump's Castle and the renovation and rehabilitation of Farley State Marina, owned by Trump, added to the division's obligations.

The continuing growth of the industry added to the responsibilities of the employee licensing staff under Chief John I. Bowman. As an example of the growth the bureau processed 14,440 applications for employee licenses and mailed 19,473 renewal applications. In addition the bureau is responsible for monitoring the activities of 42,531 individuals who worked full-time or part-time in the industry.

The opening of the new Showboat in the early part of the year was a major project for the unit. The staff people, for example, are responsible for approving the jobs compendium and employee internal controls submissions prior to opening. In addition, the bureau monitors the hiring practices of the casino to ensure compliance with the minimum staffing standards required by the Commission.

The expanded use of computers by the bureau has resulted in important efficiencies.

Casino Service Industry
Total Volume of Business—1987

	Total Companies	Percent of Total Companies	Dollar Volume of Business[1]	Percent of Total Business
All Enterprises on Master Vendors List	9,630	100%	$1,232,088,788	100%
New Jersey Enterprises[2]	3,786	39.31%	$ 803,448,502	65.21%
Pennsylvania Enterprises	1,400	14.54%	$ 116,682,322	9.47%
New York Enterprises	1,634	16.97%	$ 73,537,438	5.97%
Delaware Enterprises	43	.45%	$ 2,312,282	19%
All Other States	2,679	27.82%	$ 233,187,827	18.93%
Foreign Enterprises	88	.91%	$ 2,920,417	.24%

[1]"Dollar Volume of Business" represents only those monies paid by casino licensees for goods or services. This figure does not include such payments as governmental taxes, fines and fees to the Casino Control Commission, charitable contributions, guest losses or court garnishments.

[2]Numbers reflect the states in which the offices serving hotel/casinos are located and may not be the states in which the enterprises are incorporated or have a home office.

Casino Service Industry
Total Volume of Business—
New Jersey Firms

	Total Companies	Percent of Total Companies	Dollar Volume of Business	Percent of Total Business
New Jersey Enterprises	3,786	100%	803,448,502	100%
Atlantic	1,679	44.35%	560,507,710	69.76%
Bergen	205	5.41%	14,524,401	1.81%
Burlington	215	5.68%	25,350,554	3.16%
Camden	430	11.36%	29,584,953	3.68%
Cape May	135	3.57%	7,213,810	.9%
Cumberland	112	2.96%	5,864,687	.73%
Essex	121	3.2%	80,350,936	10%
Gloucester	100	2.64%	3,457,982	.43%
Hudson	88	2.32%	7,765,712	.97%
Hunterdon	11	.29%	233,930	.03%
Mercer	86	2.27%	32,323,465	4.02%
Middlesex	111	2.93%	2,895,517	.36%
Monmouth	95	2.51%	6,534,031	.81%
Morris	81	2.14%	6,109,507	.76%
Ocean	88	2.32%	3,231,918	.4%
Passaic	73	1.93%	4,334,893	.54%
Salem	4	.11%	5,283	.001%
Somerset	33	.87%	374,426	.05%
Sussex	2	.05%	7,668	.001%
Union	114	3.01%	12,757,544	1.59%
Warren	3	.08%	19,575	.002%

Initial license and hotel registration applicants are now numbered sequentially by computer, replacing the former manual process which was time consuming and costly. In addition the bureau designed and implemented a computer program which summarizes the essential components of every job description, thus making it quicker and easier to determine the status of any description.

The growth of the industry which added to the employee bureau's duties was also reflected in the enterprise license section which is responsible for monitoring the business relationship between the casinos and the thousands of commercial enterprises from whom they purchase goods and services.

During 1987 the bureau under Chief Mark A. Tucci, who was hired in March, completed its data processing manual and provided hands-on training for Commission and Division of Gaming Enforcement personnel.

In the last quarter of the year this bureau completed a comprehensive review of the licensing and vendor registration process in anticipation of changes which will be made in 1988 as a result of recent legislative amendments.

Under the new legislation the bureau's responsibilities will be expanded to include vendor registration forms for all building subcontractors doing business with licensees or applicants. In addition, the changes provide that the standards for licensing junket enterprises will be upgraded to the standard of a key employee.

The net effect of these changes will be a significant increase in the number of license and vendor registration applications during the coming year.

During calendar 1987 approximately 5,000 corporate submissions from applicants and their corporate subsidiaries were processed, an increase of approximately 20 percent more than 1986.

DIVISION OF FINANCIAL EVALUATION & CONTROL

Throughout 1987, the Division of Financial Evaluation & Control continued to address the unique technical/operational aspects of casino hotel operations and the numerous complex financial issues that faced the Commission, thus helping to ensure the integrity of gaming activity and funds control of New Jersey's casinos. Under Director William H. Delaney and Deputy Directors Deno R. Marino and John H. Trzaka, the Financial Division's five units successfully responded to the demand of an increasing work load and more sophisticated technology.

During 1987 several complex financial questions were raised for the Commission, such as the recapitalization proposals of Caesars World, Inc. and Holiday Corporation, the sale of GNAC, Corp. to Bally Manufacturing Corp., Donald Trump's acquisition of voting control over Resorts International Hotel, Inc. and the effect of closing and/or selling Resorts' original Alantic City casino hotel. The expertise of the financial evaluation staff, under Deborah M. Algor, was important as the Commission addressed these highly intricate financial issues and analyzed their impact on the financial stability, responsibility and integrity of New Jersey's casino industry. The Commission's financial analysts also continued to follow the financial position, operating performance and financial projections of all casino licensees throughout the year. In addition, this unit prepared quarterly reports for the New Jersey State Treasurer on each casino's financial obligation to the Casino Reinvestment Development Authority and provided comprehensive industry financial forecasts as required.

The opening of Atlantic City's 12th casino, Atlantic City Showboat, was one of the highlights of the Financial Division's 1987 activities. The planning, preparation and hard work of accounting and operations personnel and the inspection staff were instrumental in the smooth opening of the casino to the public in April 1987.

In the latter half of 1987, the first phase of Tropicana Hotel and Casino's expansion, "Trop World," also commanded the resources of the inspection and operations' staffs. This major expansion required in-depth monitoring of construction activities to ensure that the Commission's regulatory requirements were met. The second phase of "Trop World," scheduled to commence in 1988, and the preliminary reviews for Taj Mahal, presently under construction, will continue to be major tasks facing these units in 1988.

During 1987 the division's accounting unit, under Teresa B. Gervasio, converted its manual accounting systems to a computer-based accounts receivable and billing system to provide more timely and economical processing of high-volume accounting transactions. In the second half of 1987, the accounting staff began planning additions to the computer system to improve production of management reports during 1988.

For FY 87, the accounting unit was responsible for the assessment and collection of $47.3 million in fees from casinos, service industries and employees and the collection of gross revenue taxes totalling $189 million. As a result of this unit's close monitoring of revenues and expenses, the Casino Control Fund surplus was less than $100,000 at the end of Fiscal 1987.

"Bet with your HEAD, not over it."

After helping develop amendments that revised the junket fee regulations, the accounting staff planned and implemented new procedures for handling the receipt and recording of cash and the tracking of time and expenses for junket enterprises and junket representatives.

The division's casino accounting and operations staff was also instrumental in developing numerous regulatory changes considered by the commission during 1987, including the repeal of minimum bets for Big Six. This unit's efforts were also devoted to the implementation of regulatory amendments related to slot merchandise prizes. These regulatory changes enable casinos to offer slot patrons merchandise or other things of value in addition to the standard slot machine payout. Under Patricia M. DiFlorio, the operations staff developed standard submission formats for the casinos and procedures for evaluating the adequacy of each casino's internal control system and method for displaying merchandise. The reviews of the casinos' merchandise jackpot submissions neared completion in 1987 and the first merchandise slot prizes will be offered by some casinos during early 1988.

Throughout the year, the operations unit evalated approximately 1,200 petitions and submissions related to accounting and internal controls, gaming rules, procedures and equipment. During 1987, its staff further refined and expanded the unit's computerized tracking system for such petitions and submissions. The most significant improvements were the addition of a database listing of each casino's progressive slot machines and their corresponding computer control chips, the development of pertinent management reports and the computerization of numerous clerical duties that enable the unit to operate more efficiently.

The inspection personnel continued to monitor all gaming and casino revenue related activities throughout 1987 by having an average of four inspectors present during each eight-hour shift in each casino every day of the year. Under Rochelle J. Jefferson, inspectors served 1,900 deviation notices, handled 600 formal and 2,300 informal casino patron complaints, helped resolve 1,200 table inventory discrepancies at gaming tables and provided information on a wide range of regulations and procedural topics to casino personnel and the public.

The audit unit, under Michael Wozniak, issued audit reports on the 1986 revenue taxes of the 11 casinos in operation that year. Simultaneously, the unit's resources were devoted to the review of 1987 casino transactions and the planning and implementation of a program to eliminate a backlog of gross revenue audits.

Audit employees also helped provide New Jersey's casino industry with relief in the area of records retention by reviewing 71 petitions related to retention issues. It also started to identify a range of documents that could be destroyed after a three-year holding period without prior microfilming. Another significant milestone was the decision to allow automatic destruction of bus coupons upon approval of the appropriate petitions.

The year 1987 saw the retirement of David F. Mullane, the Financial Division's first Chief Inspector and the loss of its Financial Evaluation Unit Manager, Glenn Simpson, who resigned for greater opportunities in the private sector. The Commission was fortunate in having excellent replacements in Ms. Jefferson and Ms. Algor, who possess extensive experience in the complex matters regularly faced by the Commission.

DIVISION OF AFFIRMATIVE ACTION & PLANNING

Under the leadership of a new Director, Luis A. Fuentes, and a new Deputy Director, Claire Frank, the division has continued to carry out the Commission's mandate to ensure equal employment opportunities for minorities and females in all segments of the casino industry.

One major area of importance to the division this year was the Minority and Women's Business Enterprise Contract Set-Aside Program which became operational in mid-December. This program is intended to provide an opportunity for minorities and women to participate fully in securing contracts for goods and services awarded by the casino industry. The new law phases in industry participation goals over a ten year period. During 1988, the division will focus on the implementation of this important program, beginning with the promulgation of rules and regulations.

The casino unit of the division, under the direction of a newly appointed supervisor, Deborah Boykin-Greenberg, provides the Commission with a comprehensive analysis and documentation of the affirmative action performance of the 12 member casino industry. The implementation of a new reporting format for affirmative action statistics begun in late 1987, will enable collection and analysis of data on such additional groups as the handicapped and Atlantic City residents.

At the end of 1987, the industry employed 8,320 Atlantic City residents. Thus, over one-fifth of the industry's full-time 39,336 workers reside in Atlantic City. More importantly, of the city's 21,586 employed residents, 39 percent work in the casino hotels.

While it is evident that the industry has become the largest employer of Atlantic City residents, unfortunately the bulk of those resident employees (57 percent) is concentrated in lower paying positions in the EEO job categories of Laborers and Service Workers. The industry will need to address this imbalance by providing increased opportunity for upward mobility to the employed residents.

Overall, the size of the casino industry work force rose six percent over 1987, to 39,336 employees. Of that total, the level of female representation continues to be 46 percent (18,188 women), while minority representation increased four percentage points to 38 percent (14,980 minorities).

Of the industry's 5,249 dealers, 2,080 (40 percent—up from 38 percent) were females and 1,590 (30 percent—up from 28 percent) were minorities. Of the 10,235 casino hotel employees earning in excess of $25,000 per year, 3,158 (31 percent—up from 29 percent) were females and 1,999 (20 percent—up from 17 percent) were minorities.

These figures reflect continued progress by the casino hotel industry in its efforts to achieve the state goals for female and minority representation.

In addition to implementing the Set-Aside Program in the coming year, the casino unit will continue to push for an increase in affirmative action compliance statistics and will focus on the development of upward mobility programs designed to enhance minority and female participation in the upper levels of the industry work force.

The construction unit, under the supervision of Marvin Askins, was actively involved in monitoring minority and female work force participation in the several large and numerous small construction projects undertaken by the industry in 1987. The staff assessed work force participation at the Resorts Taj Mahal Casino project, the Tropicana Theme Park, the Sands and Claridge People Mover project, the Trump's Castle hotel tower expansion and the renovation program for the state-owned Farley Marina undertaken by Trump's Castle.

Analysis of the aggregate industry-wide construction trade work force indicates that an average of 1,473 journeyworkers were employed at casino hotel related projects in any given week during 1987. Of this number, 191 (13 percent) were minorities and 13 (1 percent) were females. These percentages were unchanged from last year.

The division's planning unit, headed by Barbara Lampen, assists the Commission in evaluating the environmental, social, economic and demographic impacts that

Total Industry Employees (by EEO Category)
Casino Hotel Industry Affirmative Action Compliance Levels
for the Month Ending December 31, 1987

EEO Category	Total Employees	Females		Minorities	
Officials & Managers	7,615	2,859	38%	1,550	20%
Professionals	6,197	2,572	42%	1,796	29%
Technicians	729	185	25%	132	18%
Salesworkers	359	272	76%	126	35%
Office & Clericals	6,501	5,030	77%	2,689	41%
Craftpersons	1,177	134	11%	242	21%
Operatives	1,212	302	25%	402	33%
Laborers	1,709	620	36%	1,224	72%
Service Workers	13,837	6,214	45%	6,819	49%
Total	39,336	18,188	46%	14,980	38%

the development of the casino industry has exerted on the environment of Atlantic City and its surrounding region.

Transportation-related issues continued to be of major importance to the planning staff this year, with the opening of Showboat on the Urban Renewal Tract requiring the assessment of certain access improvements designed for implementation now and in the future. The year also saw several of the transportation programs long in the planning stage finally undertaken; these included the Marina District road improvements, the Sands and Trump Plaza parking garages and pedestrian bridges, ground breaking for the Atlantic City railroad terminal and completion of the Atlantic County Airport Master Plan.

In housing, the planning staff worked closely with the Casino Reinvestment Development Authority on its Inlet Community planning program, providing data from the Commission's own studies in this area. Relocation of tenants from industry-owned properties continued to hold the staff's attention, with several casinos reporting the details of their relocation activities during the year.

The opening of the Taj Mahal and Resorts' proposed redevelopment plans for the Urban Renewal Tract will be just some of the issues occupying the planning staff in 1988.

Overall, the division continued to play a role in the affairs of the community-at-large during the past year. Director Fuentes' numerous speaking engagements included conferences sponsored by the American Contract Compliance Association and the American Association of Affirmative Action Officers. Deputy Director Frank represented the Commission in the work of the Atlantic County Child Care Coalition, a group whose goal is to foster increased awareness of child care issues in the county and promote coordination of child care services and programs.

READ APPOINTED FOR SECOND TERM

Justice Marie Garibaldi, Karen Read Lautzenheiser, Gov. Thomas H. Kean and Chairman Walter N. Read

Governor Thomas H. Kean reappointed Walter N. Read to a second five year term as Chairman of the Commission during the past year.

At a swearing-in ceremony following Read's reappointment, the governor said, "He is to me the epitome of what a public servant should be." He added that Chairman Read, "has no other agenda than the public good."

Chairman Read was nominated by the governor in May and his name cleared the Senate Judiciary Committee and the Senate in November.

Governor Kean nominated Chairman Read for his first term in 1982 and later named him to serve on the Casino Reinvestment Development Authority. Subsequently he was named to the Governor's Advisory Commission on Gambling.

In accepting a second term Chairman Read said that the state must address some major policy decisions in the coming years. Questions regarding 24-hour gambling, teenage gambling addiction, discrepancies in advertising policy between casinos and the race tracks and the lottery require careful attention, the chairman said.

An attorney, Chairman Read was a member of the law firm of Archer, Greiner and Read, P.C. of Haddonfield. He has served as president of the New Jersey State Bar Association in 1980-1981 and president of the Camden County Bar Association in 1966-1967.

Chairman Read graduated from the University of Pennsylvania in 1939 and the University of Pennsylvania Law School in 1942. He served in the U.S. Naval Reserve after graduation on active duty until 1946 and continued his participation in the Naval Reserve until his retirement as a LCdr. in 1962.

CASINO REVENUE FUND

The Casino Revenue Fund collected $198,101,004 during 1987 to underwrite the cost of programs which are available for New Jersey's senior citizens and disabled persons.

The $198.1 million collected during 1987 shows an increase of 9.4 percent against the 1986 total of $181 million. Since the first casino opened in 1978 the Fund has collected $1,160,365,747 with an additional $40,518,209 earned in interest.

The Casino Revenue Fund must be used solely for programs to aid senior citizens and disabled persons in accordance with the constitutional amendment approved by the voters in 1976.

The 12 operating casinos are taxed eight percent of their gross revenues each month. The money is then deposited in an interest bearing account by the Treasury Department which administers the Fund.

The various programs financed by the Fund include real estate property tax rebates, utility payments, pharmaceutical assistance, boarding home assistance and other programs.

During FY 87 the largest expenditure from the Fund was $66.2 million for utility payments for senior citizens with low income. To be eligible, applicants must be at least 65 years of age or receiving Social Security disability benefits. Maximum income is $13,250 for single persons or $16,250 for married couples.

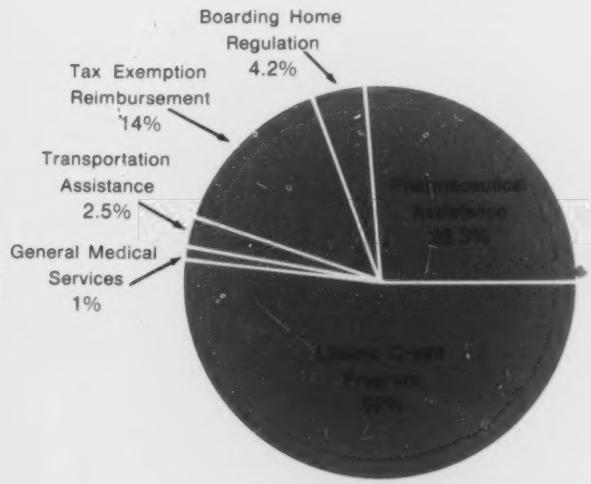
The Fund provided $44.7 million to senior citizens and disabled persons for pharmaceutical assistance. Also, $17.9 million was spent during FY 87 for property tax rebates to low income senior citizens and disabled persons.

General medical services to the aged and disabled received $10.9 million; transportation assistance for seniors and disabled received $9.3 million; boarding home regulation and assistance received $7 million; congregate housing support services received $461,978 and a task force study for housing options for senior citizens received $36,370.

The Casino Revenue Fund is not used by the Commission to regulate the casino industry. All costs of the Commission are borne by the casino industry through license fees, taxes and assessments.

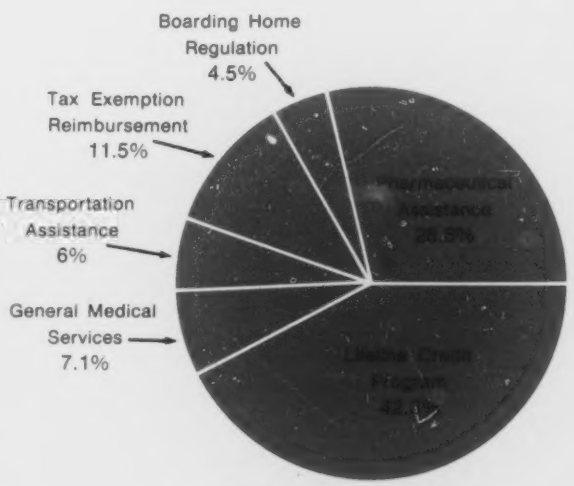
The cost of administering the Fund is underwritten by the Fund itself and is approximately three percent of the total cost of the programs.

The New Jersey Casino Industry
Casino Revenue Fund Disbursements
July 1, 1985 through June 30, 1986

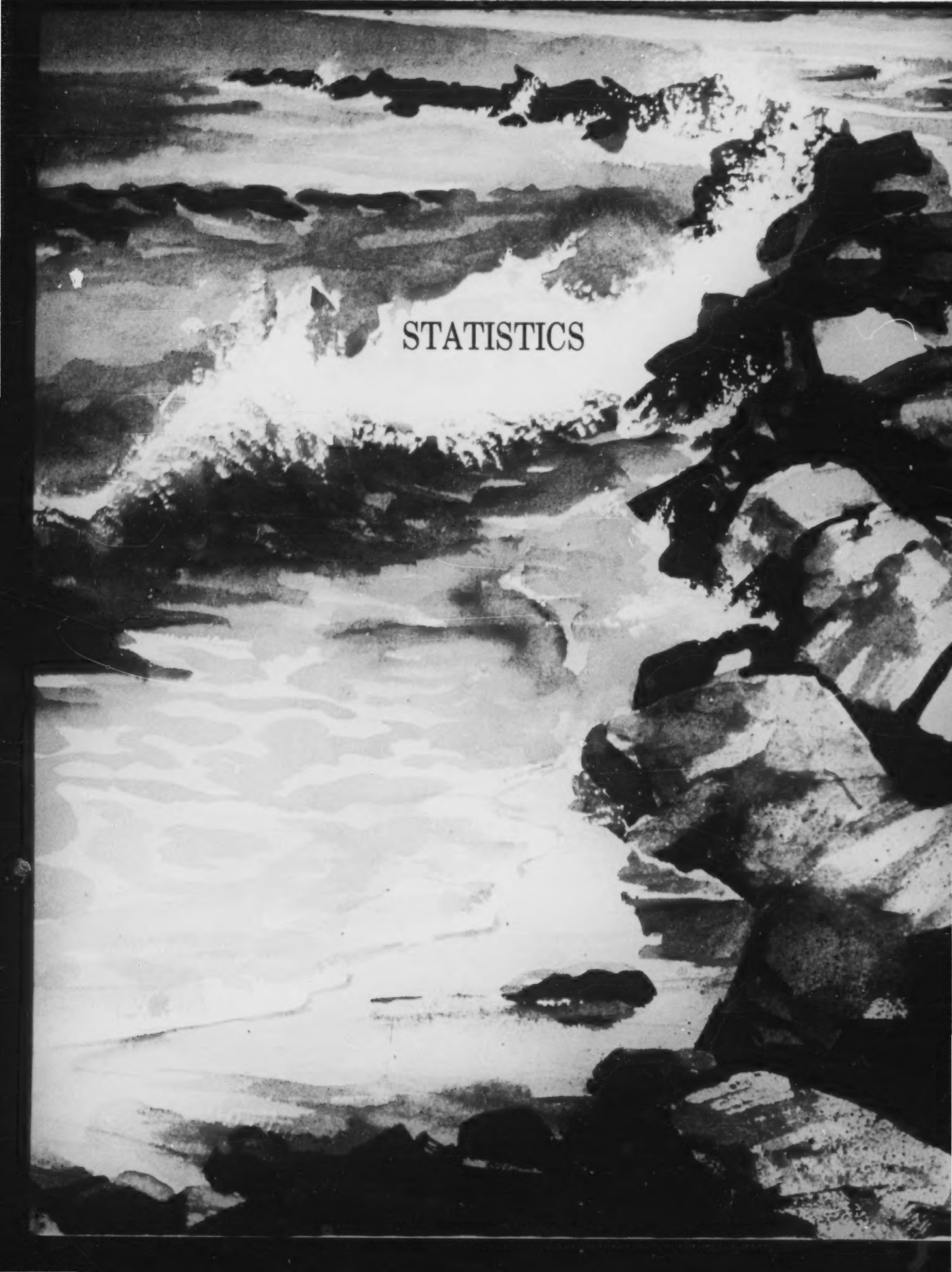


TOTAL DISBURSEMENTS—
$128.0 MILLION

The New Jersey Casino Industry
Casino Revenue Fund Disbursements
July 1, 1986 through June 30, 1987



TOTAL DISBURSEMENTS—
$156.7 MILLION


STATISTICS

THE NEW JERSEY CASINO INDUSTRY FACILITY STATISTICS

at December 31, 1987 and 1986

	Atlantis		Bally		Bally's Grand[a]		Caesars		Castle		Claridge	
	1987	1986	**1987**	1986	**1987**	1986	**1987**	1986	**1987**	1986	**1987**	1986
Table Games:												
Blackjack	**77**	60	**74**	78	**57**	57	**70**	70	**74**	74	**57**	60
Craps	**14**	16	**18**	22	**20**	20	**24**	24	**24**	24	**14**	14
Roulette	**12**	9	**12**	12	**10**	10	**11**	11	**12**	12	**8**	8
Big Six	**2**	3	**4**	4	**4**	4	**4**	4	**4**	4	**1**	2
Baccarat	**4**	2	**2**	2	**2**	2	**5**	5	**3**	3	**3**	1
Total Table Games	**109**	90	**110**	118	**93**	93	**114**	114	**117**	117	**83**	85
Slot Machines:												
.05 slot machines	**172**	171	**128**	132	**62**	62	**108**	80	**98**	98	**92**	107
.25 slot machines	**701**	842	**881**	939	**560**	570	**774**	883	**902**	1,001	**695**	775
$1 slot machines	**169**	92	**148**	180	**193**	207	**159**	162	**220**	228	**108**	154
Other slot machines[c]	**349**	290	**512**	345	**406**	391	**524**	475	**447**	357	**350**	238
Total Slot Machines	**1,391**	1,395	**1,669**	1,596	**1,221**	1,230	**1,565**	1,600	**1,667**	1,684	**1,245**	1,274
Casino Square Footage	**50,601**	50,544	**59,996**	59,439	**43,162**	43,162	**59,504**	59,296	**60,000**	60,000	**43,054**	42,817
Number of Hotel Rooms	**500**	500	**506**	510	**518**	518	**644**	641	**606**	607	**504**	501
Convention Space Square Footage	**26,260**	30,727	**49,035**	49,035	**23,536**	23,536	**26,364**	26,364	**28,344**	28,344	**26,594**	26,594
Number of Parking Spaces	**846**	1,462	**987**	930	**1,767**	2,023	**1,064**	1,344	**2,866**	2,866	**1,615**	1,323
Number of Theatre Seats	**850**	850	**380**	380	**540**	540	**1,100**	1,050	**462**	462	**600**	600
Number of Restaurants	**4**	5	**11**	10	**10**	10	**12**	12	**11**	12	**8**	8
Fixed Asset Investment[d] (Millions)	**$184.5**	$183.3	**$550.2**	$421.6	**$286.9**	$277.0	**$289.0**	$281.0	**$346.8**	$336.9	**$11.8**	$10.4[e]
Number of Employees	**1,788**	2,595	**3,540**	3,444	**3,491**	3,660	**3,500**	3,672	**3,470**	3,932	**2,290**	2,406

[a]Formerly Golden Nugget.
[b]Officially opened April 2, 1987.
[c]Includes all other slot machines.
[d]Represents property and equipment before accumulated depreciation as reported by each casino licensee.

Harrah's		Resorts		Sands		Showboat*		Tropicana		Trump		Industry Totals	
1987	1986	**1987**	1986	**1987**	1986	**1987**	1986	**1987**	1986	**1987**	1986	**1987**	1986
84	80	**78**	81	**63**	62	**74**	—	**82**	78	**74**	84	**864**	784
24	24	**22**	22	**18**	18	**22**	—	**20**	20	**24**	24	**244**	228
12	12	**10**	11	**12**	12	**12**	—	**11**	11	**12**	4	**134**	120
2	3	**4**	4	**3**	3	**4**	—	**2**	4	**3**	4	**37**	39
2	2	**3**	3	**3**	3	**2**	—	**2**	2	**2**	2	**33**	27
124	121	**117**	121	**99**	98	**114**	—	**117**	115	**115**	126	**1,312**	1,198
125	128	**84**	84	**75**	78	**124**	—	**88**	65	**96**	83	**1,252**	1,088
794	913	**925**	965	**667**	766	**880**	—	**747**	705	**915**	925	**9,441**	9,284
290	268	**217**	210	**168**	151	**136**	—	**243**	191	**157**	159	**2,208**	2,002
502	408	**448**	405	**506**	436	**488**	—	**672**	318	**511**	488	**5,715**	4,151
1,711	1,717	**1,674**	1,664	**1,416**	1,431	**1,628**	—	**1,750**	1,279	**1,679**	1,655	**18,616**	16,525
59,718	60,444	**59,857**	59,857	**49,236**	49,250	**59,388**	—	**60,000**	48,808	**60,000**	60,000	**664,516**	593,617
760	760	**689**	688	**500**	500	**516**	—	**507**	513	**585**	613	**6,835**	6,351
32,348	32,813	**48,953**	48,953	**24,930**	24,930	**45,940**	—	**25,641**	25,641	**27,471**	27,937	**385,362**	344,874
2,963	2,743	**2,581**	2,547	**2,595**	765	**2,534**	—	**2,720**	2,216	**2,940**	1,190	**25,478**	19,409
850	850	**1,650**	1,600	**850**	850	**350**	—	**1,720**	1,720	**750**	718	**10,102**	9,620
8	8	**12**	12	**11**	10	**12**	—	**7**	7	**8**	8	**114**	102
$272.9	$265.3	**$176.2**	$176.5	**$246.2**	$216.8	**$237.5**	—	**$194.4**	$120.0[†]	**$322.1**	$276.3	**$3,118.5**	$2,565.1
3,686	3,844	**3,635**	3,814	**2,697**	2,772	**3,656**	—	**3,126**	3,235	**3,950**	3,883	**38,829**	37,257

*Fixed asset investment for Claridge at December 31, 1986 and 1987, only includes gaming equipment because The Claridge at Park Place, Incorporated leases its property and equipment as a result of a sale and refinancing agreement.

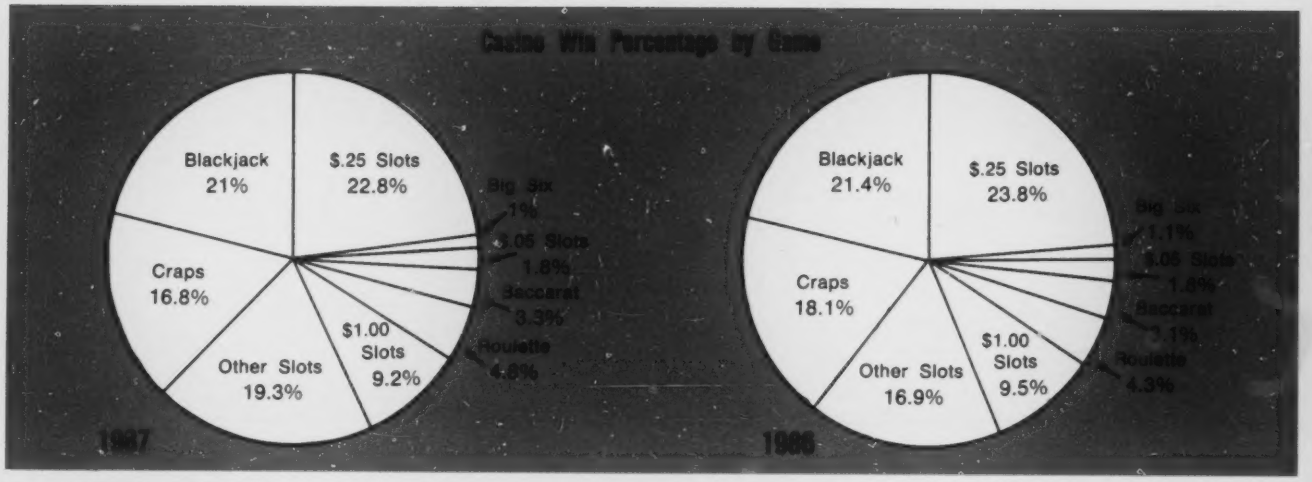
[†]Fixed asset investment for Tropicana at December 31, 1986 and 1987 does not include the building and certain non-gaming assets because Adamar of New Jersey, Inc. leases these assets as a result of a sale and leaseback transaction.

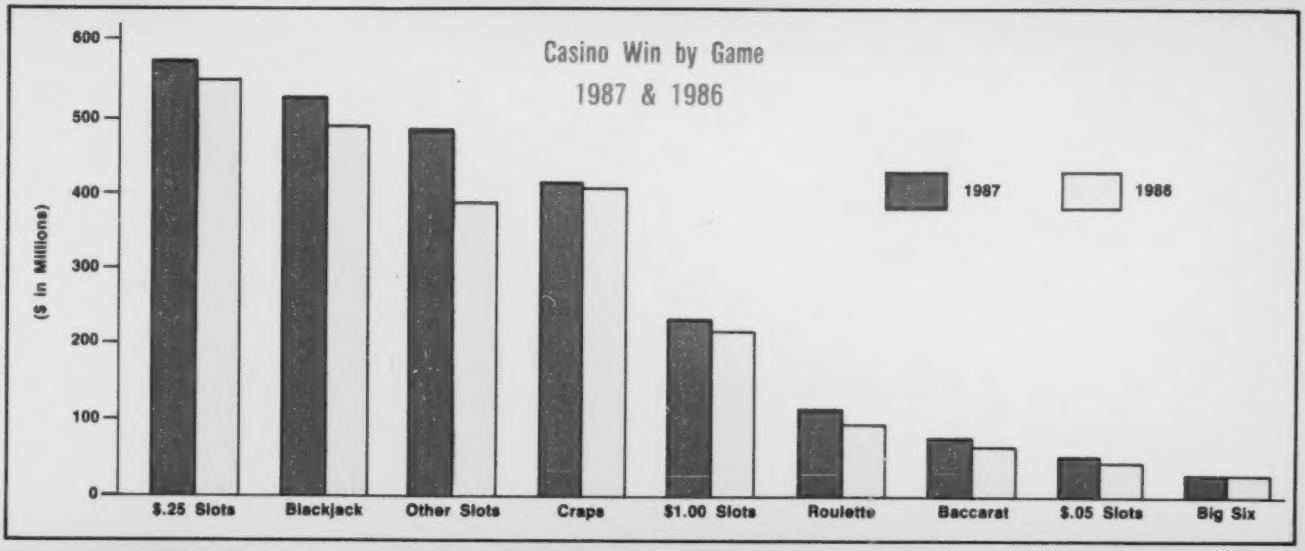
The New Jersey Casino Industry
Gross Revenue and Related Tax
for the years Ended December 31, 1987 and 1986

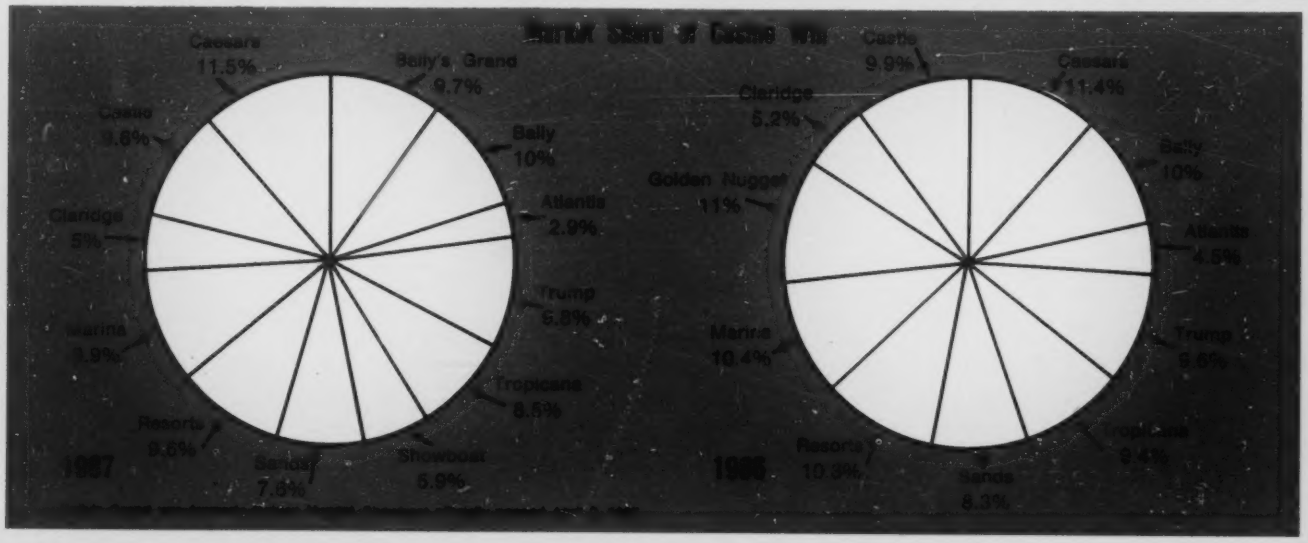
($ in Thousands)

Casino Hotel	Casino Win	Daily Average Casino Win	Adjustment for Uncollectibles	Gross Revenue	Tax
Atlantis					
1987	**$ 73,516**	**$201**	**$ 0**	**$ 73,516**	**$ 5,881**
1986	102,993	282	2,145	100,848	8,068
Bally					
1987	**$249,361**	**$683**	**$ 646**	**$248,715**	**$19,897**
1986	228,409	626	619	227,790	18,223
Bally's Grand[a]					
1987	**$242,368**	**$664**	**$2,977**	**$239,391**	**$19,151**
1986	249,940	685	(647)	250,587	20,047
Caesars					
1987	**$288,254**	**$790**	**$2,518**	**$285,736**	**$22,859**
1986	259,632	711	2,649	256,983	20,559
Castle					
1987	**$239,432**	**$656**	**$1,391**	**$238,040**	**$19,043**
1986	226,478	620	1,618	224,860	17,989
Claridge					
1987	**$124,148**	**$340**	**$ 377**	**$123,772**	**$ 9,902**
1986	119,863	328	807	119,056	9,524
Harrah's					
1987	**$246,489**	**$675**	**$1,849**	**$244,640**	**$19,571**
1986	236,511	648	1,302	235,209	18,817
Resorts					
1987	**$239,136**	**$655**	**$1,090**	**$238,046**	**$19,044**
1986	234,996	644	1,742	233,253	18,660
Sands					
1987	**$191,066**	**$523**	**$1,792**	**$189,274**	**$15,142**
1986	189,935	520	1,178	188,757	15,101
Showboat[b]					
1987	**$146,442**	**$529**	**$ 406**	**$146,036**	**$11,683**
1986	—	—	—	—	—
Tropicana					
1987	**$211,041**	**$578**	**$3,526**	**$207,515**	**$16,601**
1986	214,422	587	1,750	212,672	17,014
Trump					
1987	**$244,427**	**$670**	**$2,446**	**$241,981**	**$19,359**
1986	218,027	597	2,840	215,186	17,215

[a]Formerly Golden Nugget.
[b]Officially opened April 2, 1987.


Blackjack
21%
$.25 Slots
22.8%
Craps
16.8%
Other Slots
19.3%
$1.00
Slots
9.2%
1987
Blackjack
21.4%
$.25 Slots
23.8%
Craps
18.1%
Other Slots
16.9%
$1.00
Slots
9.5%
1986


Casino Win by Game
1987 & 1986
($ in Millions)
600
500
400
300
200
100
0
1987
1986
$.25 Slots
Blackjack
Other Slots
Craps
$1.00 Slots
Roulette
Baccarat
$.05 Slots
Big Six


Caesars
11.5%
Bally's Grand
9.7%
Castle
9.8%
Bally
10%
Claridge
5%
Atlantic
2.9%
Trump
6.8%
Marina
8.9%
Tropicana
8.5%
Resorts
9.6%
Sands
7.9%
Showboat
5.9%
1987
Castle
9.9%
Caesars
11.4%
Claridge
5.2%
Bally
10%
Golden Nugget
11%
Atlantic
4.5%
Trump
6.6%
Marina
10.4%
Resorts
10.9%
Sands
8.3%
1986

Enterprise License Bureau Statistics
Casino Service Industries

	1/1/87 to 12/31/87		Inception to 12/31/87
Enterprises permitted to conduct business with casino licensees	3,490		20,134
Enterprises prohibited from conducting business with casino licensees	53		446
Contracts reviewed	2,455		13,063
Gaming Related:			
Applicants	6		126
Licenses Issued	10		48
Licenses Denied	0		10
Withdrawals Granted	8		27
Licenses Active		26	
Non-Gaming Related:			
Applicants	268		2,455
Licenses Issued	58		1,043
Licenses Denied	11		87
Withdrawals Granted	42		279
Licenses Active		765	
Exemption requests received	4		150
Exemption requests accepted for filing	4		96
Exemptions granted by CCC	0		14

Junket Enterprises

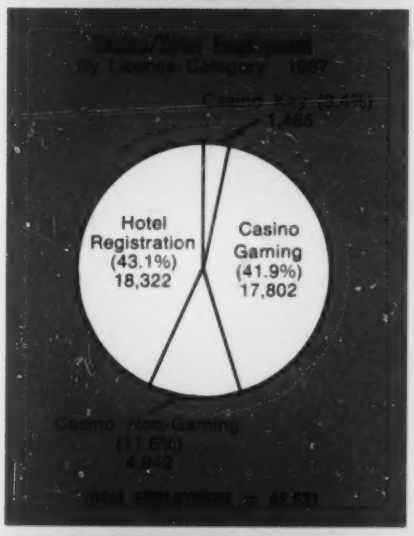
Junket Enterprises:			
Applicants	16		238
Licenses Issued	20		157
Licenses Denied	5		16
Licenses Withdrawn	2		17

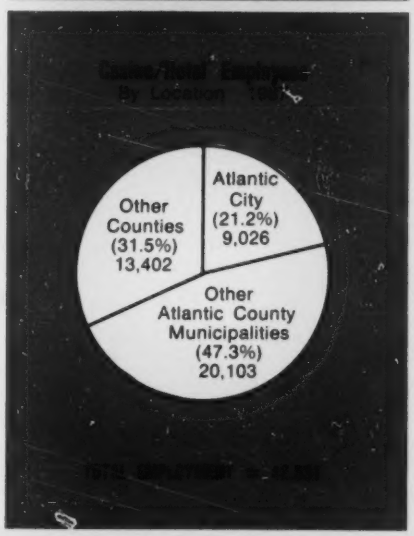
Gaming Schools

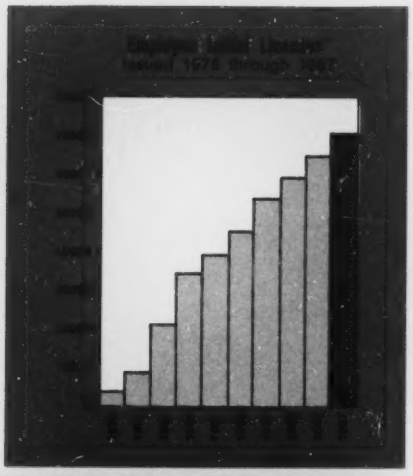
Applications Filed	0		17
Schools Licensed	0		10
Currently Operating	4		

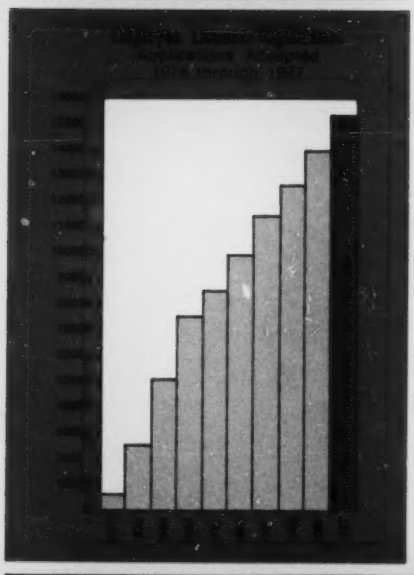
Labor Organizations

Registered	1		17



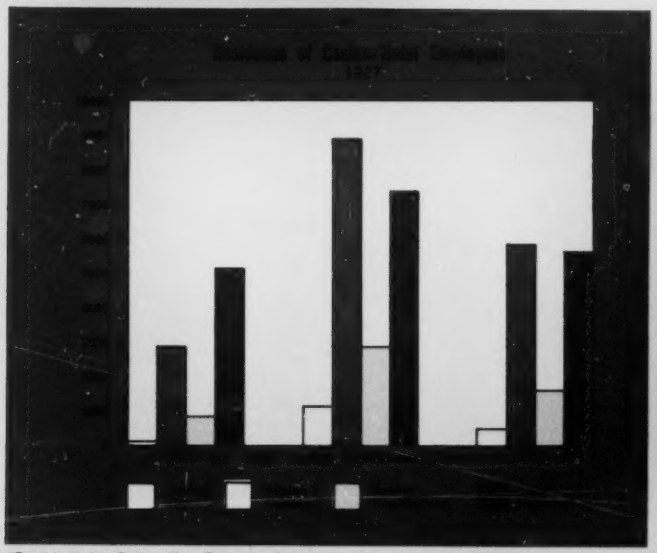


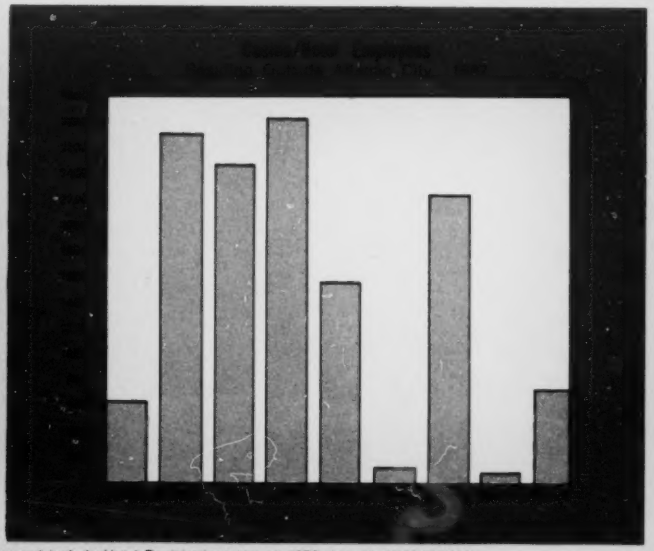




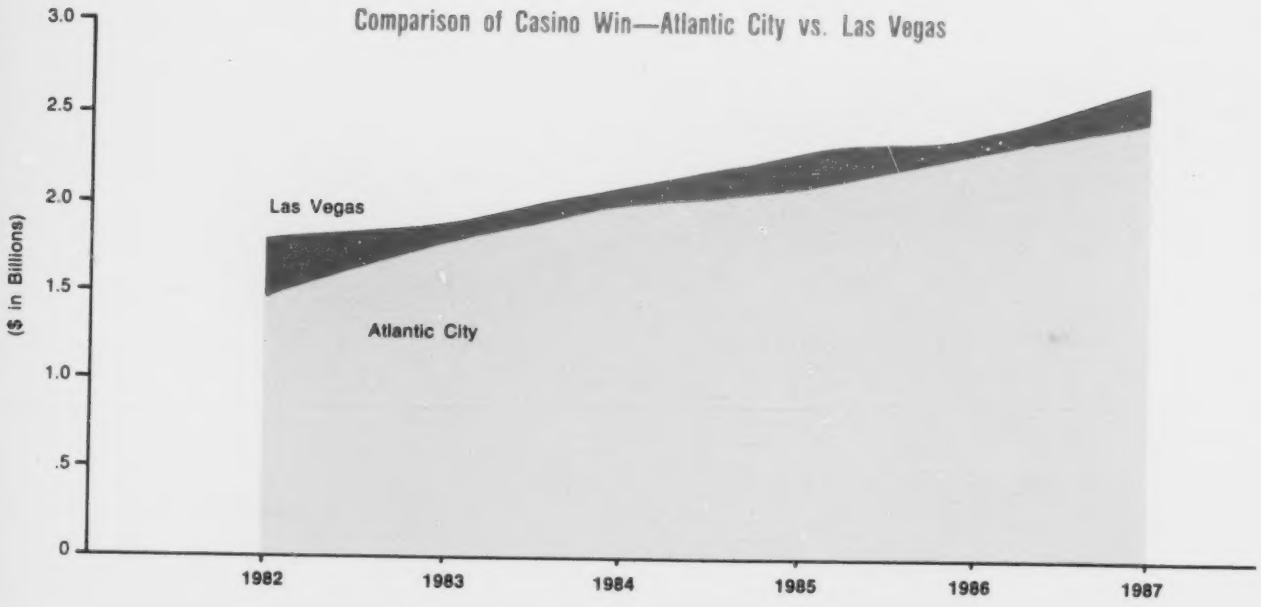
Employee License Bureau
Applications Accepted and Licenses/Registrations Issued

	1/1/87 to 12/31/87	Inception to 12/31/87
Casino Key Employees:		
Applications filed	282	4,195
Licenses issued	326	3,642
Temporary licenses issued	232	1,468
Casino Employees:		
Applications filed	5,128	69,445
Licenses issued	4,626	66,441
Temporary non-gaming licenses issued	1,069	7,620
Temporary junket representative licenses issued	113	848
Temporary sole owner/operator junket enterprise licenses issued	116	826
Gaming School Employees:		
Applications filed	37	1,078
Licenses issued	53	907
Temporary licenses issued	5	90
Casino Hotel Employees:		
License & registration applications filed	8,993	80,119
Licenses & registrations issued	8,992	80,013
Total Employees:		
Applications filed	14,440	154,837
Plenary licenses & hotel registrations issued	13,997	151,003
Temporary licenses issued	1,535	10,852
Position additions processed	3,568	36,691
Employee license renewals processed	6,109	73,532





*Total includes Casino Key, Casino and Instructor licenses issued 1978 through 1987, and does not include Hotel Registrations issued 1978 through 1987 (80,013).



Industry Comparisons

	Atlantic City		Las Vegas		Over (Under) Atlantic City.	
	Average Units	Average Win Per Unit	Average Units	Average Win Per Unit	**Average Units**	**Average Win Per Unit**
1987:						
Slot Machines	18,159	$ 73,027	64,468	$ 23,499	**46,309**	**($ 49,528)**
Table Games	1,290	$906,658	3,114	$392,708	**1,824**	**($513,950)**
1986:						
Slot Machines	16,353	$ 72,486	56,099	$ 22,890	**39,746**	**($ 49,596)**
Table Games	1,182	$927,110	2,792	$388,454	**1,160**	**($538,656)**
1985:						
Slot Machines	15,229	$ 71,426	55,247	$ 20,974	**40,018**	**($ 50,452)**
Table Games	1,114	$943,366	2,883	$371,676	**1,769**	**($571,690)**

AUDITOR REPORT

LEGISLATIVE SERVICES COMMISSION
SENATOR
JOHN F. RUSSO
Chairman
ASSEMBLYMAN
ROBERT E. LITTELL
Vice-Chairman
SENATE
LEONARD T. CONNORS, JR.
DONALD T. DiFRANCESCO
MATTHEW FELDMAN
S. THOMAS GAGLIANO
JAMES R. HURLEY
CARMEN A. ORECHIO
LAURENCE S. WEISS
GENERAL ASSEMBLY
BYRON M. BAER
JOHN O. BENNETT
WILLIE B. BROWN
JOHN PAUL DOYLE
CHUCK HARDWICK
DENNIS L. RILEY
ANTHONY M. VILLANE, JR.

New Jersey State Legislature
OFFICE OF LEGISLATIVE SERVICES
OFFICE OF THE STATE AUDITOR
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PRINCETON, NEW JERSEY 08540
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TRENTON, NEW JERSEY 08625

ALBERT PORRONI
Executive Director
(609) 292-4625

JAMES J. DOLAN
State Auditor
(609) 292-3700

March 11, 1988

The Honorable Thomas H. Kean
Governor of New Jersey

The Honorable John F. Russo
President of the Senate

The Honorable Chuck Hardwick
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

Gentlemen:

We have examined the balance sheet of the **Casino Control Fund** of the State of New Jersey as of June 30, 1987 and 1986, and related statements of revenues, expenditures, and changes in fund balances; budget and actual—budgetary basis for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the **Casino Control Fund** as of June 30, 1987 and 1986, and the results of operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

The examination was performed and this report is submitted pursuant to the State Auditor's audit responsibilities as set forth in Article VII, Section 1.6 of the State Constitution, and N.J.S.A. 52:24-4.

Respectfully submitted,

Stephen J. Krol
Assistant State Auditor

State of New Jersey
Casino Control Fund
Balance Sheet
June 30, 1987 and 1986

Exhibit I
(in $000)

	1987	1986
Assets:		
Accounts Receivable (Note 3)	$10,142.2	$6,375.4
Less: Allowance for Doubtful Accounts	1,582.7	775.7
Net Accounts Receivable	8,559.5	5,599.7
Due from General Fund (Note 2)	—	73.1
Total Assets	$ 8,559.5	$5,672.8
Liabilities and Fund Balance:		
Liabilities:		
Accounts Payable (Note 4)	$ 5,221.8	$5,646.5
Deferred Revenue (Note 5)	2,341.5	—
Due to General Fund (Note 2)	901.2	—
Total Liabilities	8,464.5	5,646.5
Fund Balance: (Note 1)		
Reserved:		
Reserved for Encumbrances		
Current Year	2,242.2	1,792.6
Prior Year	94.5	285.6
Unreserved:		
Undesignated	(2,241.7)	(2,051.9)
Total Fund Balance (Note 6)	95.0	26.3
Total Liabilities and Fund Balance	$ 8,559.5	$5,672.8

( ) Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

State of New Jersey
Casino Control Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Years Ended June 30, 1987 and 1986

Exhibit II
(in $000)

	1987	1986
Revenues:		
Casinos		
Licenses		
Casinos	$32,473.7	$29,436.2
Slot Machines	8,663.8	8,098.4
Alcoholic Beverage	—	1,017.4
Work Permits	118.1	201.3
Fines and Penalties	416.2	304.6
	41,671.8	39,057.9
Credits For Prior Year Surplus	(26.3)	(9,327.0)
Total From Casinos	41,645.5	29,730.9
Other Sources		
Licenses		
Casino Employees	4,923.7	4,191.2
Casino Service Industry	689.8	631.7
Fines and Penalties	35.9	82.1
Other Revenue	50.6	109.5
Total From Other Sources	5,700.0	5,014.5
Total Revenue	47,345.5	34,745.4
Other Increases:		
Transfers from General Fund (Note 8)	—	321.7
Total Other Increases	—	321.7
Total Revenues/Other Increases	47,345.5	35,067.1
Expenditures:		
Public Safety and Criminal Justice (Division of Gaming Enforcement)	27,641.0	25,904.7
Government Direction, Management and Control (Casino Control Commission)	19,605.4	18,463.1
Total Expenditures	47,246.4	44,367.8
Other Decreases:		
Transfers to General Fund (Note 8)	30.4	—
Total Other Decreases	30.4	—
Total Expenditures/ Other Decreases	47,276.8	44,367.8
Net Increase (Decrease) in Fund Balance For The Year	68.7	(9,300.7)
Fund Balance—Beginning	26.3	9,327.0
Fund Balance—Ending	$ 95.0	$ 26.3

( ) Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

State of New Jersey
Casino Control Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual—Budgetary Basis
for the Fiscal Year Ended June 30, 1987

Exhibit III-A
(in $000)

	Actual	Adjustment To Budgetary Basis	Actual on Budgetary Basis	Budget	Variance—Favorable (Unfavorable)
Revenues:					
Casinos					
Licenses					
Casino	$ 32,473.7	$ —	$ 32,473.7	$34,269.7	$(1,796.0)
Slot Machines	8,663.8	—	8,663.8	8,525.0	138.8
Alcoholic Beverage	—	—	—	1,020.0	(1,020.0)
Work Permits	118.1	—	118.1	144.0	(25.9)
Fines and Penalties	416.2	—	416.2	—	416.2
	41,671.8	—	41,671.8	43,958.7	(2,286.9)
Credits for Prior Year Surplus	(26.3)	—	(26.3)	—	(26.3)
Total From Casinos	41,645.5	—	41,645.5	43,958.7	(2,313.2)
Other Sources					
Licenses					
Casino Employees	4,923.7	—	4,923.7	5,844.3	(920.6)
Casino Service Industry	689.8	—	689.8	1,194.0	(504.2)
Fines and Penalties	35.9	—	35.9	—	35.9
Other Revenue	50.6	—	50.6	20.0	30.6
Total from Other Sources	5,700.0	—	5,700.0	7,058.3	(1,358.3)
Total Revenues	47,345.5	—	47,345.5	51,017.0	(3,671.5)
Expenditures:					
Public Safety and Criminal Justice (Division of Gaming Enforcement)	27,641.0	505.2	28,146.2	29,966.0	1,819.8
Government Direction, Management and Control (Casino Control Commission)	19,605.4	585.2	20,190.6	21,051.0	860.4
Total Expenditures	47,246.4	1,090.4	48,336.8	51,017.0	2,680.2
Other Decreases					
Transfers to General Fund	30.4	(30.4)	—	—	—
Total Other Decreases	30.4	(30.4)	—	—	—
Total Expenditures/Other Decreases	47,276.8	1,060.0	48,336.8	51,017.0	2,680.2
Net Increase (Decrease) in Fund Balance for the Year	$ 68.7	$(1,060.0)	$ (991.3)	$ —	$ (991.3)

( ) Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

State of New Jersey
Casino Control Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual—Budgetary Basis
for the Fiscal Year Ended June 30, 1986

Exhibit III-B
(in $000)

	Actual	Adjustment To Budgetary Basis	Actual on Budgetary Basis	Budget	Variance—Favorable (Unfavorable)
Revenues:					
Casinos					
Licenses					
Casino	$ 29,436.2	$ —	$ 29,436.2	$31,443.9	$ (2,007.7)
Slot Machines	8,098.4	—	8,098.4	6,947.5	1,150.9
Alcoholic Beverage	1,017.4	—	1,017.4	800.8	216.6
Work Permits	201.3	—	201.3	126.0	75.3
Fines and Penalties	304.6	—	304.6	—	304.6
	39,057.9	—	39,057.9	39,318.2	(260.3)
Credits for Prior Year Surplus	(9,327.0)	—	(9,327.0)	—	(9,327.0)
Total From Casinos	29,730.9	—	29,730.9	39,318.2	(9,587.3)
Other Sources					
Licenses					
Casino Employees	4,191.2	—	4,191.2	6,629.3	(2,438.1)
Casino Service Industry	631.7	—	631.7	1,941.3	(1,309.6)
Fines and Penalties	82.1	—	82.1	—	82.1
Other Revenue	109.5	—	109.5	40.2	69.3
Total From Other Sources	5,014.5	—	5,014.5	8,610.8	(3,596.3)
Total Revenues	34,745.4	—	34,745.4	47,929.0	(13,183.6)
Other Increases					
Transfers from General Fund	321.7	—	321.7	—	321.7
Total Other Increases	321.7	—	321.7	—	321.7
Total Revenues/Other Increases	35,067.1	—	35,067.1	47,929.0	(12,861.9)
Expenditures:					
Public Safety and Criminal Justice (Division of Gaming Enforcement)	25,904.7	485.1	26,389.8	28,555.0	2,165.2
Government Direction, Management and Control (Casino Control Commission)	18,463.1	373.7	18,836.8	19,374.0	537.2
Total Expenditures	44,367.8	858.8	45,226.6	47,929.0	2,702.4
Net Increase (Decrease) in Fund Balance for the Year	$ (9,300.7)	$(858.8)	$(10,159.5)	$ —	$(10,159.5)

( ) Denotes minus amount

SEE NOTES TO FINANCIAL STATEMENTS

STATE OF NEW JERSEY
CASINO CONTROL FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1—Summary of Significant Accounting Policies

A. Fund Accounting

The Governmental Accounting Standards Board, in its Statement 1—entitled *Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide*, continued in force the National Council on Governmental Accounting's (NCGA) Statement 1. NCGA Statement 1 defines a fund as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. These statements reflect financial reporting practices in accordance with that definition.

Special Revenue Fund

The Casino Control Fund is classified as a Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

The Casino Control Fund (N.J.S.A. 52:12-143) accounts for fees from the issuance and renewal of casino licenses, work permit fees, and other license fees. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

The Casino Control Fund is accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues susceptible to accrual would include casino license fees.

Appropriations are authorized by an act of the Legislature for expenditure during the fiscal year and for a period of one month thereafter. Expenditures are recorded on an accrual basis when the related liability is incurred. Modifications to the accrual basis of accounting include:

a) Disbursements for prepaid expenses, inventory items, and fixed assets are recorded as expenditures when incurred.
b) Accumulated unpaid vacation and sick pay are not accrued.

Encumbrances represented by purchase orders and contracts are recorded and reported as reservations of fund balance since they do not constitute expenditures or liabilities.

C. Revenue and Expenditure Budgets

The Casino Control Fund, as detailed in the following table, operates under a budgetary control system comprised of:

a) The Annual Appropriations Acts approved June 30, 1986 for Fiscal Year 1987, June 28, 1985 for Fiscal Year 1986, and various supplemental appropriation acts approved during the fiscal year.
b) Reappropriations (authorized by the Annual Appropriations Act) of prior year funds which are available for expenditure in the current year.
c) Appropriated Revenues (authorized by the Annual Appropriations Act) which established certain revenues as appropriations.

The above items provided the following amounts for the Fiscal Year 1987 and 1986 budgets (in $000).

	Revenue and Other Increases	
	1987	1986
Annual Appropriations Act	$51,017.0	$47,929.0
Totals	$51,017.0	$47,929.0

	Expenditures and Other Decreases	
	1987	1986
Annual Appropriations Act	$51,017.0	$47,929.0
Totals	$51,017.0	$47,929.0

Budgetary control is maintained at the program unit level.

The accompanying statements of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual-Budgetary Basis present comparisons of the legally adopted budget with actual data on a budgetary basis.

The State's budgetary basis of accounting differs from that utilized to present financial statements in conformance with generally accepted accounting principles (GAAP). The main difference between the budgetary basis and the GAAP basis is that under the budgetary basis encumbrances are recognized as expenditures, and the budgetary basis reflects transactions only for the current fiscal year. There were no expenditures in excess of appropriations in the Casino Control Fund.

D. Fund Balances

The fund balances of the Casino Control Fund consist of:

a) *Reserved for encumbrances*—used to segregate a portion of fund balance to provide for expenditure upon vendor performance of purchase agreements.
b) *Unreserved-Undesignated*—used to represent that portion of fund balance resources available for appropriation.

E. Other

Other significant accounting policies are described in Notes 2 to 8.

NOTE 2—Due From or Due To General Fund

Cash transactions of the Casino Control Fund are made through and by the General Fund cash accounts. The balance

of cash for this fund held in the General Fund, after receipt and disbursement transactions, is accounted for and reflected in the respective Due From or Due To accounts on the Balance Sheet.

NOTE 3—**Accounts Receivable**

Represent amounts which were collected within the one-month period subsequent to June 30, and outstanding billings applicable to June 30, 1987 and 1986. Approximately 64% and 77% of the outstanding billings were satisfied within a three-month period subsequent to June 30, 1987 and 1986, respectively.

NOTE 4—**Accounts Payable**

Represent amounts due for goods and services that were received by the State prior to fiscal year end.

NOTE 5—**Deferred Revenue**

Deferred Revenue represents Fiscal Year 1988 slot machine license billings received and recorded in Fiscal Year 1987.

NOTE 6—**Fund Balance**

The positive fund balance as of June 30, 1987 and 1986 resulted from revenues exceeding expenditures. Pursuant to N.J.A.C. 19:41-9.1(e) the balance at June 30, 1986 was credited to casino licensees in proportion to the relative amount of total fees incurred or paid by each casino licensee with respect to the fiscal year ended June 30, 1986. The balance at June 30, 1987 will be distributed to licensed casino facilities during Fiscal Year 1988.

NOTE 7—**Employee Benefit Costs**

Fringe benefit costs which include pension, health benefits, payroll taxes, and amounts for unused sick leave are originally paid by the General Fund and are charged to the Casino Control Fund using a composite fringe benefit rate.

NOTE 8—**Interest**

The General Fund charges interest to the Casino Control Fund when disbursements exceed receipts collected and credits interest to the Casino Control Fund when receipts collected exceed disbursements made. The interest rate used during Fiscal Year 1987 and Fiscal Year 1986 was equal to the effective rate of return on investments in the General Fund and varied from 5.67% to 6.82% in Fiscal Year 1987 and from 6.91% to 8.11% in Fiscal Year 1986. The net effect of these transactions is reflected in the Transfers from General Fund and Transfers to General Fund accounts on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

NOTE 9—**Contingent Liability**

The Casino Control Fund is involved in a number of legal actions wherein there is potential for unanticipated expenditure. The exact amount involved in these legal proceedings is not fully determinable. N.J.A.C. 19:41-9.1 allows the Casino Control Fund to apportion any uncollected cost among the licensed casino facilities.

AUDITOR'S REPORT ON SUPPLEMENTAL DATA

We have reported separately herein on the financial statements of the Casino Control Fund for the Fiscal Years ended June 30, 1987 and 1986. Our examination was made for the purpose of forming an opinion on these basic financial statements taken as a whole. The Expenditure Detail Schedule that follows is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the same auditing procedures applied in the examination of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

State of New Jersey
Casino Control Fund
Expenditure Detail
Fiscal Years Ended June 30, 1987 and 1986

Schedule I
(In $000)

	1987		1986	
	Public Safety and Criminal Justice	Government Direction Management and Control	Public Safety and Criminal Justice	Government Direction Management and Control
Expenditures:				
Salaries	$16,610.4	$13,379.6	$14,986.3	$11,984.0
Payroll Taxes and Employee Benefits	4,771.3	2,890.9	3,961.6	2,890.0
Printing and Office Supplies	285.0	280.4	277.7	271.3
Vehicular Supplies	317.1	—	403.3	.1
Travel	33.6	48.9	46.1	39.8
Telephone	870.1	216.9	627.9	268.0
Data Processing	511.4	890.3	800.5	657.9
Professional Services	410.8	249.3	458.6	136.2
Other Services Other than Personal	301.9	330.3	858.1	533.2
Rent—Facilities	1,275.9	1,055.4	1,412.4	952.7
Rent—Automobiles and Other	114.9	108.1	144.3	80.2
Indirect Costs	929.2	.2	943.6	428.0
Office Equipment	86.0	57.0	238.9	91.8
Vehicular Equipment	671.9	—	382.7	—
Other Equipment	451.5	98.1	362.7	129.9
Total Expenditures	$27,641.0	$19,605.4	$25,904.7	$18,463.1

CASINO CONTROL COMMISSION

Robert Genatt, Legal Division

License Advisory

Hearings & Litigation

Legal Advisory

Legislation & Regulations

Special Projects

Theron Schmidt, Administrative Division

Systems Analysis and Design

Budget & Fiscal

Personnel

Administrative Services

Christopher D. Storcella, License Division

Employee Licensing

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Enterprise Licensing

William H. Delaney, Division of Financial Evaluation & Control

Casino Accounting & Operations

Financial Evaluation

Accounting

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